

PUBLIC DISCLOSURE

January 11, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTH CAMBRIDGE CO-OPERATIVE BANK

26567

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CAMBRIDGE, MA 02140

Division of Banks

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<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>

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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **North Cambridge Co-operative Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory" by the Division and the FDIC.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The above rating is based on the following findings:

- The average net loan-to-deposit ratio (56.9 percent) is reasonable considering the institution's size and assessment area credit needs.
- The Bank originated a majority of its loans within its designated assessment area. A review of the residential lending activity, including home equity lines of credit revealed that 50 percent of the loans were originated in the assessment area.
- The overall distribution of loans by borrower income reflects a reasonable penetration. While the Bank originated very few loans to low-income borrowers, a review of lending to moderate-income borrowers revealed that the Bank exceeded the 2008 aggregate percentage, by number.
- The overall geographic distribution of loans within the assessment area is reasonable. Despite the lack of loans within the area's low-income tracts, the Bank percentage of loans within the area's moderate-income tracts significantly exceeded the 2008 aggregate percentage.
- The Bank's fair lending policies and procedures are considered satisfactory and the Bank received no CRA-related complaints.

SCOPE OF EXAMINATION

This evaluation was performed utilizing the “small bank” performance criteria. The evaluation focused on lending activity in the period from January 1, 2007 through December 31, 2009.

The Bank is primarily a residential lender, with 1-4 family loans, including multi-family loans, representing 90.1 percent of the Bank’s loan portfolio. Home equity lines of credit (HELOCs) secured by 1-4 family residential properties represent the next largest segment of the loan portfolio, at 5.3 percent. The remaining elements of the portfolio represent, collectively, a small percentage of the Bank’s lending activity, and as a result, are not included in the evaluation. As is their option, management did not request the review of its community development investments or services.

The Bank is required to report its mortgage lending under the Home Mortgage Disclosure Act (“HMDA”). Therefore, residential lending data for the period under review was obtained from the Bank’s HMDA Loan Application Registers (“LARs”). As part of the evaluation, the Bank’s HMDA information was compared to 2008 aggregate data. Aggregate data includes all financial institutions that originated at least one home mortgage loan in the Bank’s assessment area.

Banks are not required to collect or report its HELOC data for purposes of HMDA; however, because the Bank collected the applicable data, the information was utilized to assess the Bank’s CRA performance. Please note that given the small number and percentage of commercial real estate loans and commercial and industrial loans in relation to the total loan portfolio, small business data was not included in the current CRA analysis.

Demographic data referenced throughout the CRA evaluation was obtained from the 2000 United States (U.S.) Census, unless otherwise noted.

PERFORMANCE CONTEXT

Description of Institution

North Cambridge Co-operative Bank is a state-chartered, mutually-owned financial institution. The Bank's sole office is located at 2360 Massachusetts Avenue, Cambridge, Massachusetts. Office hours are from 8:30 AM to 5:00 PM, Monday through Friday, with extended hours until 7:00 PM on Thursday evenings. The Bank also offers limited hours on Saturdays from 9:00 AM to 1:00 PM.

According to the September 30, 2009 Call Report, the Bank's assets total \$89.3 million. Total loans as of this date stood at \$40.9 million, or 45.8 percent of total assets. Stated previously, the Bank is primarily a residential real estate lender, with loans secured by 1-4 family residential properties representing approximately 95.0 percent of the Bank's loan portfolio. Table 1 provides further information pertaining to the composition of the Bank's loan portfolio as of September 30, 2009.

Table 1 Loan Portfolio Distribution as of September 30, 2009		
Loan Type	Dollar Amount \$(000)	Percent of Total Loans (%)
<i>Loans Secured by Real Estate</i>		
1-4 Family Residential		
1 st Mortgage	35,796	87.5
2 nd Mortgage	873	2.1
Revolving Lines of Credit	2,178	5.3
Multi-Family (5 or more) Residential	183	0.5
Commercial	1,710	4.2
<i>Total Real Estate Loans</i>	<i>40,740</i>	<i>99.6</i>
Consumer	154	0.4
Total Loans	40,894	100.0

Source: Consolidated Report of Condition and Income (Call Report)

There are no significant financial or legal impediments that limit the Bank's ability to help meet the credit needs of its assessment area.

The Bank was last examined for CRA by the Division on July 10, 2007 and by the FDIC on December 20, 2004. Both evaluations assigned overall CRA ratings of "Satisfactory."

Description of Assessment Area

CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area, as currently defined, meets the technical regulatory requirements since it: (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state boundaries (unless permitted otherwise by the regulation); (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low- and moderate-income areas.

North Cambridge Co-operative Bank's assessment area comprises the cities of Cambridge and Somerville, and the town of Arlington. These municipalities are located within Middlesex County, in the Cambridge-Newton-Framingham, Massachusetts Metropolitan Division ("MD").

According to the 2000 U.S. Census, the assessment area consists of 53 census tracts. Each tract is assigned an income level based on the median family income ("MFI") of the tract as compared to the MFI established for the Metropolitan Statistical Area ("MSA") or MD in which the tract is located. Low-income is defined by the U.S. Census Bureau as less than 50 percent of the MFI level for the MSA; moderate-income is defined as 50 to 79 percent of the MFI; middle-income is defined as income between 80 and 119 percent of the MFI; and upper-income is defined as income equal to or greater than 120 percent of the MFI. Of the census tracts in the assessment area, 3 (5.7 percent) are low-income, 21 (39.6 percent) are moderate-income, 22 (41.5 percent) are middle-income, and 7 (13.2 percent) are upper-income.

The MFI level for the assessment area, as indicated by 2000 U.S. Census data, is \$64,189. The *Distribution of Credit among Different Income Levels* section describes and evaluates the distribution of home mortgage loans and HELOCs to borrowers of different incomes, with special attention to those borrowers of low- and moderate-income. Income levels are broken down into the same four categories as described above (low, moderate, middle, and upper); however, this analysis is based on the annual HUD-adjusted MFIs for each applicable MSA/MD. The annual HUD-adjusted MFIs are based on 2000 U.S. Census data, but have been annually adjusted for inflation. Using data collected during the 2000 Census, the weighted average of the HUD updated MFI for the MD in which the institution has designated its assessment area was \$88,900 in 2007; \$93,000 in 2008; and \$97,100 in 2009. According to 2000 U.S. Census data, the assessment area consists of 43,798 families. Of total families, 28.3 percent are low-, 19.8 percent are moderate-, 20.6 percent are middle-, and 31.3 percent are upper-income families.

The 2000 Census data also shows the assessment area contains 96,613 housing units, with the majority (62.3 percent) consisting of rental units. The assessment area's low- and moderate-income census tracts have the highest concentration of rental units, as 85.9 percent of housing units in low-income tracts and 69.3 percent of housing units in moderate-income tracts are rental units. This data suggests lending opportunities are somewhat limited, especially within the low- and moderate-income tracts of the assessment area. Owner-occupied units represent 35.8 percent of total housing units. Table 2 depicts the composition of the housing stock in the assessment area. Median home values, based on 2000 Census data, are also provided in the table.

Table 2 Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	House- holds	Housing Units	Owner- Occupied	Rental Units	Vacant Units	
Low	5.7	3.2	3.2	1.1	4.6	1.6	\$303,105
Moderate	39.6	42.8	42.6	32.9	48.7	36.7	\$258,986
Middle	41.5	40.5	40.6	47.0	36.5	44.6	\$314,977
Upper	13.2	13.5	13.6	19.0	10.2	17.1	\$405,770
Total / Median	100.0	100.0	100.0	100.0	100.0	100.0	\$303,078

Source: 2000 U.S. Census

Table 3 displays more recent data for each year under analysis regarding the median home values in the assessment area. The data was obtained from the Warren Group, publisher of Banker and Tradesman.

Table 3 Median Home Sales Prices – Assessment Area Municipalities			
City / Town	2007	2008	2009
Arlington	\$446,750	\$431,888	\$425,000
Cambridge	\$445,000	\$435,000	\$430,000
Somerville	\$397,250	\$380,000	\$382,500

Source: The Warren Group

As depicted in Table 3, housing values in the assessment area experienced a decline during the period, indicative of the review period market conditions, but nevertheless remained relatively high. The lowest median home sales price of \$380,000 occurred in the City of Somerville in 2008. The high cost of housing would presumably limit the Bank's ability to extend credit to low-income individuals and families, many of whom would not qualify for a sufficient mortgage amount to purchase a home in the assessment area.

According to market share reports, 339 HMDA reporters originated or purchased at least one home mortgage loan in the Bank's assessment area in 2008. The considerable number of lenders that made home mortgage loans in the area brings to light the high level of competition within the assessment area. The Bank's competition includes large national mortgage lenders such as Countrywide Home Loans, as well as locally based banks including East Cambridge Savings and Cambridge Savings Bank. The top five lenders in the assessment area were JPMorgan Chase Bank, Countrywide Bank, Bank of America, Well Fargo Bank and CITImortgage, Inc. Given its size, North Cambridge Co-operative Bank has a much smaller capacity to lend than both its direct competition and the top ranked lenders in the assessment area.

Unemployment information from the Bureau of Labor Statistics for the third quarter of 2009 lists the unemployment rate at 7.8 percent for Middlesex County. The three assessment area municipalities all have unemployment rates below the County rate, with Cambridge at 6.2 percent, Somerville at 7.0 percent, and Arlington at 7.1 percent. These three percentages are also lower than the State unemployment of 9.0 percent. Unemployment rates for Massachusetts, Middlesex County, and all three assessment area municipalities have increased during the previous four quarters.

Community Contacts

A review of the previously completed community contacts did not reveal any critical information with respect to the credit needs of the assessment area or the CRA performance of this institution.

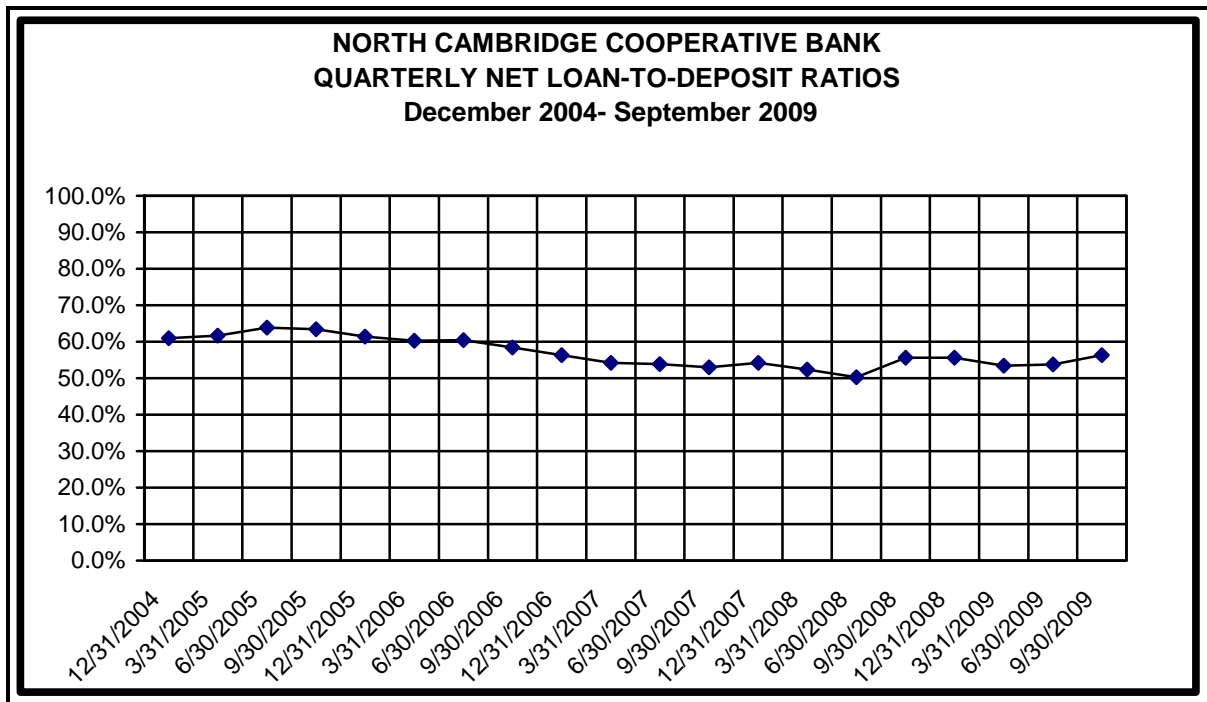
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans, and also evaluates the appropriateness of the Bank's loan-to-deposit ("LTD") ratio. The Bank's LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.

The average LTD ratio since the previous FDIC evaluation, dated December 20, 2004, was calculated at 56.9 percent and includes the last 20 quarters. Graph 1 displays the Bank's LTD ratios during this period.

GRAPH 1



As depicted in Graph 1, the Bank's LTD ratios remained relatively stable during the evaluation period. The highest LTD was calculated at 61.4 percent as of December 31, 2005 while the lowest was at 50.3 percent as of June 30, 2008. Overall, net loans decreased approximately 4.1 percent from \$42.1 million as of December 2004 to \$40.3 million as of September 2009; while deposits increased during the same time period by approximately 3.7 percent, from \$69.0 million to \$71.6 million.

Given the competitive lending environment and existing economic conditions, including rising unemployment and cost of housing, the ability of the Bank to maintain a consistent ratio is considered adequate.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

As prescribed by Part 345 of FDIC Rules and Regulations, for a financial institution to meet the minimum requirements for satisfactory performance under this criterion, 50 percent or more of loans originated/purchased must be extended within the designated assessment area. Overall, the Bank's level of lending within the assessment area is considered satisfactory.

Table 4 displays the Bank's 1-4 family residential real estate loans originated inside and outside the assessment area. The analysis includes both the Bank's HMDA reportable loans and HELOCs. With the inclusion of HELOCs, the Bank originated 50 percent of its loans within the assessment area.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total \$ (000)
	#	%	#	%		\$ (000)	%	\$ (000)	%	
2007										
Home Purchase	1	20.0	4	80.0	5	150	10.9	1,220	89.1	1,370
Refinance	1	20.0	4	80.0	5	75	7.5	920	92.5	995
Home Improvement	2	50.0	2	50.0	4	443	62.1	270	37.9	713
Total HMDA	4	28.6	10	71.4	14	668	21.7	2,410	78.3	3,078
Home Equity Lines	8	72.7	3	27.3	11	710	78.9	190	21.1	900
TOTAL	12	48.0	13	52.0	25	1,378	34.6	2,600	65.4	3,978
2008										
Home Purchase	4	28.6	10	71.4	14	1,477	33.9	2,886	66.1	4,363
Refinance	3	42.9	4	57.1	7	505	29.1	1,230	70.9	1,735
Home Improvement	2	66.7	1	33.3	3	105	31.8	225	68.2	330
Total HMDA	9	37.5	15	62.5	24	2,087	32.5	4,341	67.5	6,428
Home Equity Lines	8	66.7	4	33.3	12	695	65.3	370	34.7	1,065
TOTAL	17	47.2	19	52.8	36	2,782	37.1	4,711	62.9	7,493
2009										
Home Purchase	3	37.5	5	62.5	8	1,145	38.6	1,823	61.4	2,968
Refinance	10	47.6	11	52.4	21	2,285	45.9	2,694	54.1	4,979
Home Improvement	4	100.0	0	0.0	4	993	100.0	0	0.0	993
Total HMDA	17	51.5	16	48.5	33	4,423	49.5	4,517	50.5	8,940
Home Equity Lines	6	60.0	4	40.0	10	685	68.8	310	31.2	995
TOTAL	23	53.5	20	46.5	43	5,108	51.4	4,827	48.6	9,935
Total HMDA	30	42.3	41	57.7	71	7,178	38.9	11,268	61.1	18,446
Total HELOCs	22	66.7	11	33.3	33	2,090	70.6	870	29.4	2,960
Grand Total	52	50.0	52	50.0	104	9,268	43.3	12,138	56.7	21,406

Source: HMDA Loan Application Registers for 2007, 2008 and 2009 and Internal Bank Records

Although only an average of 42.3 percent of the Bank's HMDA-reportable loans for 2007, 2008, and 2009 were originated within the assessment area, several mitigating factors were noted that led to the conclusion that the Bank's performance is reasonable. In each year under review, the Bank's lending volume and level of lending within the assessment area increased. Market share data also indicates an increased level of activity in the assessment area between 2007 and 2008. In 2007, 313 lenders originated at least one HMDA-reportable loan in the Bank's assessment area, with North Cambridge Co-operative Bank ranked 150th. In 2008, the Bank's rank improved to 83rd. This analysis not only highlights an improvement in the Bank's ranking, but also confirms the extremely high level of competition in the assessment area.

Moreover, as mentioned in the *Description of Assessment Area* section, the majority of the assessment area's housing stock is rental units, further limiting the Bank's ability to penetrate the assessment area. However, the Bank's level of HELOCs originated inside the assessment area, coupled with the Bank's positive trend in HMDA originations; display the Bank's responsiveness to the credit needs of its area. All factors considered, the Bank's performance is deemed satisfactory under this criterion.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The distribution of loans by borrower income level was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents, particularly low- and moderate-income individuals and families. The distribution of borrowers reflects, given the demographics of the assessment area, a reasonable penetration among individuals of different income levels.

HMDA Reportable Lending

Table 5 breaks out the loans the Bank originated inside the assessment area in 2007, 2008 and 2009 categorized by the applicants' reported income in relation to the HUD-adjusted MFI for the Cambridge-Newton-Framingham, MA (MD) for the respective year. The table also presents the distribution of families by income level and the aggregate market data for 2008.

Table 5 Distribution of Home Mortgage Loans by Borrower Income Level										
Borrower Income Level	% of Total Families	2007 Bank Data		2008 Aggregate Lending Data	2008 Bank Data		2009 Bank Data		Bank Total	
	% of #	#	%	% of #	#	%	#	%	#	%
Low	28.3	1	25.0	4.4	0	0.0	0	0.0	1	3.3
Moderate	19.8	2	50.0	14.8	2	22.2	3	17.7	7	23.3
Middle	20.6	0	0.0	23.6	2	22.2	5	29.4	7	23.3
Upper	31.3	0	0.0	41.0	5	55.6	9	52.9	14	46.8
NA	--	1	25.0	16.2	0	0.0	0	0.0	1	3.3
Total	100.0	4	100.0	100.0	9	100.0	17	100.0	30	100.0

Source: HMDA Loan Application Registers for 2007, 2008 and 2009

As displayed in Table 5, the Bank made one loan (25.0 percent) to a low-income borrower in 2007. The Bank made no loans to low-income borrowers in either 2008 or 2009. According to 2008 aggregate data, 4.4 percent of loans were granted to low-income borrowers in that year. While the percentage achieved by the aggregate indicates there is some opportunity to lend to low-income borrowers in the assessment area, the Bank's ability to lend is negatively impacted by the percentage of families living below the poverty level, at 24.9 percent. In addition, the following mitigating factors should also be considered: (1) the high level of competition, (2) the cost of housing, and (3) the rising unemployment rate within the assessment area.

In 2007, the Bank made two loans to moderate-income borrowers, accounting for 50 percent of its assessment area originations. The Bank's percentage of loans to moderate-income borrowers in 2008 (22.2 percent) was also above the aggregate (14.8 percent). In 2009, three loans, or 17.7 percent, were made to moderate-income borrowers. As reflected in Table 5, the Bank's percentage of loans granted to moderate-income borrowers exceeded the percentage of moderate-income families in 2007 and 2008.

Given the Bank's performance to moderate-income borrowers, the overall performance is considered reasonable.

Home Equity Lines of Credit

Table 6 displays the Bank's HELOCs originated during the timeframe by income level of the borrower(s) as well as the distribution of families by income level.

Table 6 Distribution of HELOCs by Borrower Income Level									
Borrower Income Level	% of families	2007 Bank Data		2008 Bank Data		2009 Bank Data		Total Bank	
	% of #	#	%	#	%	#	%	#	%
Low	28.3	2	25.0	0	0.0	1	16.7	3	13.6
Moderate	19.8	1	12.5	2	25.0	1	16.7	4	18.2
Middle	20.6	1	12.5	0	0.0	0	0.0	1	4.6
Upper	31.3	4	50.0	6	75.0	4	66.6	14	63.6
Total	100.0	8	100.0	8	100.0	6	100.0	22	100.0

Source: Internal Bank Records for 2007, 2008 and 2009

As displayed in Table 6, the Bank made three loans (13.6 percent) to low-income borrowers and four loans (18.2 percent) to moderate-income borrowers in the assessment area during the review period. The distribution of the Bank's HELOCs among borrowers of different income levels is considered reasonable when compared to the percentage of families within each level. The data also reveals the Bank's willingness to lend to both low- and moderate-income borrowers, and adds support to the Bank's overall performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The Bank's residential loans originated within its assessment area were further analyzed to determine their location by census tract income level. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, as depicted in Table 7.

HMDA Reportable Lending

Table 7 Distribution of Home Mortgage Loans by Census Tract Income Level										
Census Tract Income Level	% Owner-Occupied Housing Units	2007 Bank Data		2008 Aggregate Lending Data	2008 Bank Data		2009 Bank Data		Bank Total	
	% of #	#	%	% of #	#	%	#	%	#	%
Low	1.1	0	0.0	1.9	0	0.0	0	0.0	0	0.0
Moderate	32.9	1	25.0	37.0	5	55.6	6	35.3	12	40.0
Middle	47.0	1	25.0	47.2	4	44.4	11	64.7	16	53.3
Upper	19.0	2	50.0	13.9	0	0.0	0	0.0	2	6.7
Total	100.0	4	100.0	100.0	9	100.0	17	100.0	30	100.0

Source: HMDA Loan Application Registers for 2007, 2008 and 2009

As Table 7 indicates, the Bank did not make any loans in the assessment area's low-income census tracts during the review period. A review of the demographics of the area revealed that only 1.1 percent of the housing units are owner-occupied, which significantly limits a bank's ability to lend, especially in light of the competition in the area. The limited opportunities are further supported by the fact that the aggregate achieved a percentage of only 1.9 percent.

The Bank made one loan, 25 percent, in the moderate-income census tracts in 2007. The Bank's performance in the moderate-income tracts increased in 2008, whereby 5 loans (55.6 percent) were originated. The Bank's percentage in 2008, at 55.6 percent, exceeded the aggregate's percentage.

In 2009, the Bank again increased the number of loans within the moderate-income tracts, with its percentage, at 35.3 percent, exceeding the percentage of owner-occupied units in those tracts.

Given the positive trend in loans to moderate-income borrowers, coupled with certain demographic constraints, the Bank's overall performance is considered reasonable.

Home Equity Lines of Credit

Table 8 contains the distribution of the Bank's home equity lines of credit among census tract income levels is also considered adequate, given the demographics of the assessment area.

Table 8 Distribution of HELOCs by Census Tract Income Level									
Census Tract Income Level	% Owner-Occupied Housing Units	2007 Bank Data		2008 Bank Data		2009 Bank Data		Bank Total	
	% of #	#	%	#	%	#	%	#	%
Low	1.1	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	32.9	1	12.5	4	50.0	1	16.7	6	27.3
Middle	47.0	6	75.0	3	37.5	5	83.3	14	63.6
Upper	19.0	1	12.5	1	12.5	0	0.0	2	9.1
Total	100.0	8	100.0	8	100.0	6	100.0	22	100.0

Source: Internal Records for 2007, 2008 and 2009

As displayed Table 8, the Bank originated no HELOCs within the low-income tracts, which is indicative of the demographic constraints noted previously; however, the Bank did originate six HELOCs, accounting for 27.3 percent of total HELOCs, in moderate-income census tracts. The data indicates the Bank's willingness to serve the credit needs of moderate-income borrowers in its assessment area, and adds support to the Bank's overall performance.

5. RESPONSE TO CRA COMPLAINTS

This performance criterion pertains to the Bank's record of responding to CRA-related complaints. A review of FDIC and Division records, as well as the Public File maintained by the Bank pursuant to CRA regulations, disclosed no complaints. Management has written policies and procedures if a complaint is received.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

A review was conducted for compliance with fair lending regulations, and no evidence of disparate treatment or impact was revealed.

APPENDIX A

Fair Lending Policies and Procedures

Within the Bank's loan and compliance policies, fair lending and fair housing are adequately addressed. All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. The Bank takes advantage of available quality service training through organizations such as Massachusetts Bankers Association and Professional Bank Services. In house trainings are held on an ongoing basis to keep employees updated on Bank regulations and policies. All loan applications that are slated for denial by the loan officer or underwriter will undergo a second review.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. For the period reviewed, the Bank received a total of 6 HMDA reportable mortgage applications from racial minority groups within its assessment area, all of which were originated.

According to the 2000 Census, the total minority population of the assessment area is 27.8 percent, the breakout is as follows: Asian or Pacific Islander 8.6 percent, Hispanic 6.8 percent, Black 7.8 percent, American Indian/ Alaskan Native 0.2 percent and 4.4 percent are identified as 'other race'.

Refer to the following table for further details.

MINORITY APPLICATION FLOW										
RACE	Bank 2007		2008 Aggregate Data		Bank 2008		Bank 2009		Bank TOTAL	
	#	%	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	14	0.2	0	0.0	0	0.0	0	0.0
<i>Asian</i>	0	0.0	680	7.5	0	0.0	1	4.4	1	2.3
<i>Black/ African American</i>	0	0.0	207	2.3	1	6.7	3	13.0	4	9.3
<i>Hawaiian/Pac Isl.</i>	0	0.0	15	0.2	0	0.0	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	10	0.1	0	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	0	0.0	177	2.0	1	6.7	0	0.0	1	2.3
Total Minority	0	0.0	1,103	12.3	2	13.4	4	17.4	6	13.9
<i>White</i>	4	80.0	5,478	60.9	13	86.6	18	78.2	35	81.4
<i>Race Not Available</i>	1	20.0	2,417	26.8	0	0.0	1	4.4	2	4.7
Total	5	100.0	8,998	100.0	15	100.0	23	100.0	43	100.0
ETHNICITY										
<i>Hispanic or Latino</i>	0	0.0	209	2.3	0	0.0	0	0.0	0	0.0
<i>Not Hispanic or Latino</i>	3	60.0	6,286	69.9	15	100.0	21	91.3	39	90.7
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	0	0.0	74	0.8	0	0.0	0	0.0	0	0.0
<i>Ethnicity Not Available</i>	2	40.0	2,429	27.0	0	0.0	2	8.7	4	9.3
Total	5	100.0	8,998	100.0	15	100.0	23	100.0	43	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

Of the five HMDA reportable applications the Bank received in 2007, none were from minority applicants. The Bank received a higher percentage of minority applicants in 2008 than that received by the 2008 aggregate and the number and percentage of applications received from minority applicants improved in 2009. The Bank's performance is considered satisfactory.

APPENDIX B DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 2360 Massachusetts Avenue, Cambridge MA 02140."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.